their U.S. counterparts. On the other hand, they have since fallen farther from the post-Korea peak. During the current year, for instance, our cost-of-living index has fallen by about 3½ per cent, while your consumer price index has risen by about 1 per cent. Last spring, some months after the hectic period of consumer spending and inventory accumulation had ended and when the inflationary threat seemed again under control, the Government lifted its consumer-credit restrictions and the Bank of Canada announced the suspension of all the voluntary restraints on bank credit except the higher margins on loans secured by stock-market collateral. In the last few months consumer spending, consumer credit and bank credit have expanded substantially but their effect has apparently been fully offset by such factors as the abundant harvest, the rising trend of industrial production, the accumulated inventories and an interim budgetary surplus.

Commercial Policy

Turning now to commercial policy, Canada is, as you know, a classic example of an "open economy", heavily dependent on foreign trade. While our gross national product, as I have said, is now running at an annual rate of about $23 billion, our total foreign trade will exceed $8 billion in 1952. Traditionally also, Canada has relied on earning a surplus from its overseas trade to pay for a deficit in our trade with the United States. It all adds up to this: the structure of the Canadian economy, and its balance of payments, are such that Canada is vitally dependent on a trading world organized so as to encourage a high level of multilateral trade and exchange convertibility. The creation of such an environment has been the main driving force behind Canada's trade and exchange policies in the post-war period.

As soon as the war was over, Canada proceeded with an important series of concrete steps to free the channels of commerce, both in the development of domestic policy and in helping to create an international environment which would encourage other countries to liberalize their trade. At home, the buoyant demand for Canadian exports and the satisfactory state of the exchange reserves made it possible to remove almost all the wartime trade restrictions, restore our dollar to parity with the U.S. dollar and relax greatly the exchange controls on current payments. In collaboration with other countries, Canada took an important part in setting up the Bretton Woods institutions and the General Agreement on Tariffs and Trade in order to introduce stability in exchange and commercial relations between countries and to facilitate the development of the economically backward regions. To assist our overseas trading partners we used the authority which Parliament had granted to extend almost $1.8 billion of financial assistance in the form of export credits.

However, the path to convertibility and unrestricted trade in Canada was not without its pitfalls. By mid-1947, we found ourselves in balance of payment difficulties on dollar account, with our exchange reserves falling in less than two years from $1,500 million to the dangerously low figure of under $500 million. Our position was unique in a sense, because we had a significant surplus in our overall current account during 1946 and 1947. The problem